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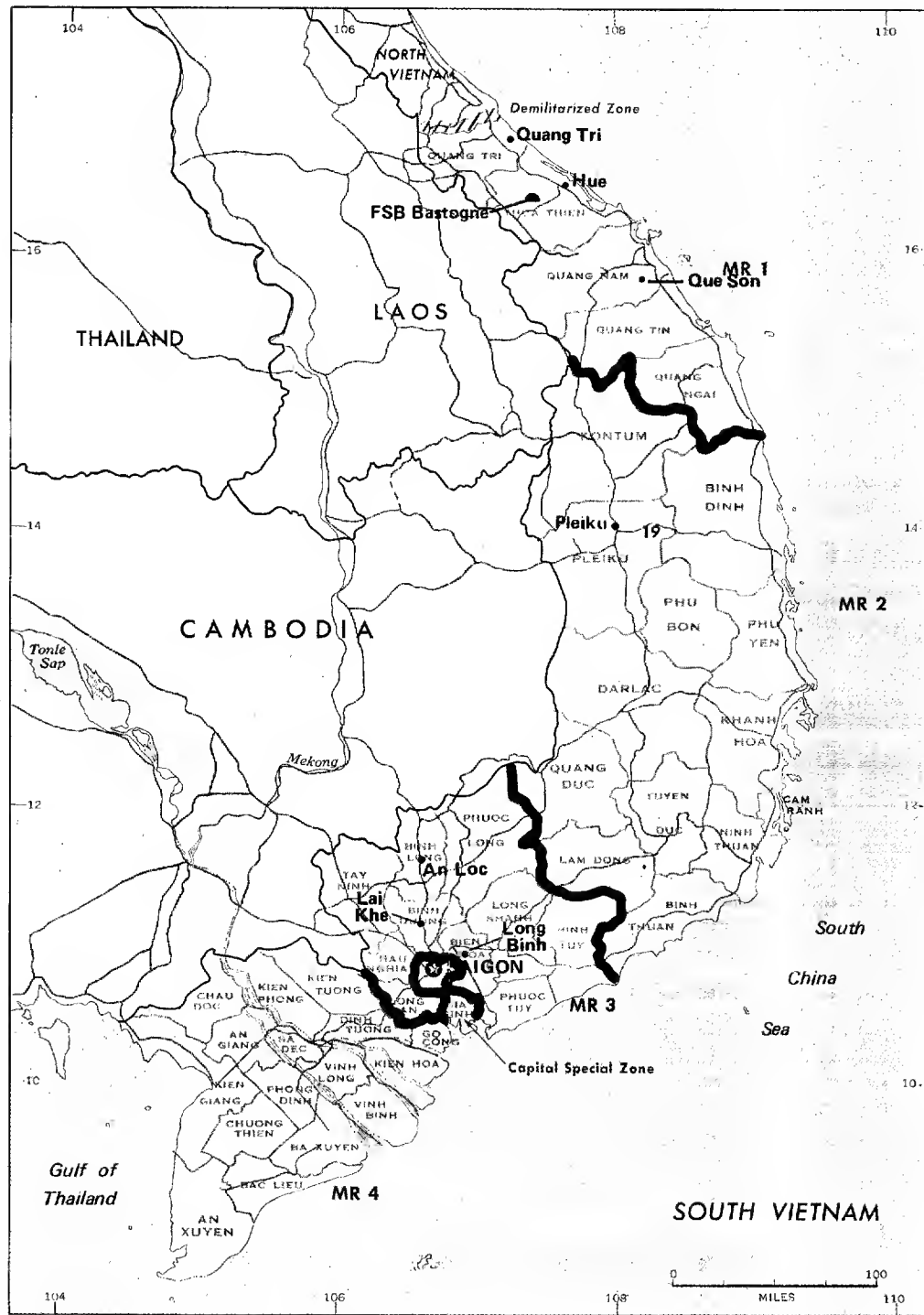
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**VIETNAM:** There are additional signs pointing to a sharp increase in enemy military activity soon.

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[REDACTED] the Communists would like to pick up the pace of the attacks between now and late August. Communist cadre are being told that another round of offensive action will undercut US policy on the war and force concessions from Washington. The string of terrorist, sapper, and small-scale infantry attacks of the past few days may mark the opening of this effort.

In the northern provinces, sustained artillery fire continues to impede the South Vietnamese Marine effort to retake Quang Tri City. On 13 August more than 1,000 artillery and mortar rounds were directed against marine positions. The Communists used 160-mm. mortars for the first time on the northern front in this barrage. Despite their success in holding off the government's assaults, there is evidence that Communist forces are experiencing difficulties.

Enemy shellings tapered off somewhat west of Hue, but South Vietnamese forces reported a number of small-unit clashes in the vicinity of Fire Support Base Bastogne. Some clashes also occurred in southern Quang Nam Province near the district town of Que Son.

Communist pressure against government positions in northwestern Pleiku Province is continuing. A border ranger camp was shelled on 13 August, the third such attack in the past week. Other enemy action included the ambush of a convoy on Route 19 and the destruction of a large amount of artillery ammunition stored near Pleiku City.

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Government troop positions and base camps in the provinces north and east of Saigon continue to be targets for shellings. Bases at Lai Khe in Binh Duong Province and Long Binh in Bien Hoa Province, for example, have been shelled for four straight days. Military activity in the delta remains concentrated largely in the northern provinces as enemy troops continue to attack lightly defended outposts. [REDACTED]

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SWEDEN - NORTH VIETNAM: Swedish aid to Hanoi will be increased, and the timetable for reconstruction assistance perhaps pushed up.

According to an announcement by the Swedish Foreign Ministry, the Swedish International Development Authority will take over responsibility for the program, previously administered by the Swedish Red Cross.

Sweden will give \$67 million in aid to North Vietnam over the next three years, a \$22-million increase over the last three-year aid program. Since 1970, \$10 million of the annual \$15-million allocation had been earmarked for redevelopment and was only to be released after hostilities cease. Under the new program the earmarked funds will be released now, although the government contends it has not changed its reconstruction plans. Releasing the earmarked funds may be largely a bookkeeping operation, but it does stress Stockholm's support for Hanoi and will permit the Swedes to act quickly when the situation warrants. Original reconstruction plans called for wood pulp plants but now include reconstruction, equipping, and staffing of at least one hospital.

According to State Secretary Klackenberg, who headed a government delegation that returned from Hanoi on 13 August, the decision to increase aid was taken because of the "disastrous situation caused by the US bombing offensive." Klackenberg said he hoped that deliveries, which at first would consist of medicines, milk, and textiles, could begin in the fall.

When Sweden began its expanded aid program for North Vietnam in 1969, the American dockworkers union threatened to boycott Swedish ships for what it considered an unfriendly act toward the US. Stockholm subsequently assured the dockworkers that the aid would be purely humanitarian until the war was over, and the boycott was averted. [REDACTED]

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JAPAN-CHINA: Prime Minister Tanaka is moving rapidly to prepare the political groundwork for early normalization of Sino-Japanese relations.

According to the daily newspaper Mainichi, the government has prepared a declaration for signature during Tanaka's forthcoming visit to Peking. The newspaper report, which could be a deliberate government leak, claims the key points of the draft include establishment of diplomatic relations, reaffirmation that these relations are based upon China's five principles for peace, and legal confirmation that the Sino-Japanese war has been terminated. In addition, the proclamation covers a waiver of Peking's claims for war reparations, a declaration that the 1952 Japan - Republic of China Peace Treaty has been annulled, and agreement that negotiations for a Sino-Japanese Peace Treaty will be undertaken. An actual exchange of ambassadors, the paper reports, would await subsequent ratification of the declaration by the Diet.

The Prime Minister will meet this morning with a ranking Chinese official in Tokyo, and it is possible that a date for Tanaka's meeting with Chou En-lai will be set at this time. The press is focusing on late September, and government officials appear to be operating on this assumption. Tanaka himself is working to win a consensus within the ruling party for each of his moves, and the leak of the draft declaration was probably designed to test reaction to his new terms, particularly in the Liberal Democratic Party's right wing. Earlier this month Tanaka and Ohira used a similar tactic to win acquiescence by publicly acknowledging that formal relations with Taipei will be severed when diplomatic ties with Peking are established, and press rumors that Tanaka will leave for China on 20 September are probably additional moves in the same game. Tanaka has set up a committee of leading members of the ruling party to "advise" him on

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the recognition issue, another device to forge and display publicly a party consensus on all problems connected with normalization.

The prime minister's approach allows him to stay ahead of public opinion and his parliamentary opposition on the issue without formally committing the government to rigid positions any sooner than necessary. For example, the cabinet may ultimately decide simply to allow the treaty with Taipei to "lapse" when relations with Peking are established, rather than formally declaring it annulled.

China will have no problems with the draft declaration, although a specific reference to Peking's "three principles" may also be necessary. Indeed, Mainichi claims that the draft largely corresponds to the views of China's leaders as expressed through "informal contacts." This is probably a reference to the recent visit to China of Komeito Party leader Yoshikutsa Takeiri, who had extensive conversations with Chou En-lai at the beginning of this month.

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CZECHOSLOVAKIA-USSR: The Soviets have now joined with the Czechoslovak regime in justifying the recent trials in Czechoslovakia and have rebuked the Western press, which has claimed the charges were trumped up to permit punishment of leaders of the Dubcek era in 1968.

On 8 August Rude Pravo, Prague's party daily, lashed out against Western support of the "criminals" by claiming that the defendants were charged and prosecuted according to Czechoslovak laws on "subversion activities against the republic," "damaging the republic's interest abroad," and "other crimes." The article further claimed the criminal actions "broke the law and created a threat to the tranquility and security of the state and its citizens." Pravda reprinted this article the next day and yesterday accused Western critics of the trials of trying to disrupt European detente.

There is little doubt that this Czechoslovak-Soviet rebuttal is also directed against certain Western Communist parties that have dissented from Prague's actions. The politburos of the French and Italian parties have issued statements critical of the trials.

Since 17 July there have been nine subversion trials in Prague and Brno. They ended with the sentencing of 46 people for periods ranging from six and one half years to suspended one-year terms. There have been no acquittals. Prague has maintained the trials were for violation of state law since 1970 and not for political support of Dubcek, and indeed the defendants can be faulted for carrying out "anti-state activities" as defined by Czechoslovak law, such as distributing pamphlets and leaflets and forming opposition groups.

Party leader Husak left for a vacation in the USSR two days before the first trial; since his return on 6 August, no prominent liberals have been brought to trial and the trials may be winding down.

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UN-DISARMAMENT: The Soviets hope to focus discussion of disarmament topics at this fall's UN General Assembly on their updated proposal for a World Disarmament Conference (WDC).

The Soviets have indicated they will call for a conference open to all states that would be held within the next year or two and would last from four to six weeks. In the Soviet view, the conference could develop into a permanent body that would convene every two or three years. Moscow wants the preparatory work to begin early next year.

Even though Peking advocates a WDC, the Chinese strongly opposed Moscow's WDC initiative at last year's General Assembly and are likely to do so again this year. Peking's permanent representative in New York said recently that the Chinese position on a WDC has not changed. The Chinese still argue that it is inappropriate to set a date for a conference and to establish preparatory machinery when there is no understanding on the goals of a WDC.

At least some of the Western allies not only oppose preparations for a WDC but are skeptical about the whole idea. They fear that it would become a propaganda forum, interfere with SALT, and largely supplant the work of the Conference of the Committee on Disarmament (CCD) in Geneva. Although the nonaligned countries generally favor a WDC, they do so at least in part because it has so far been impossible to bring the Chinese into the CCD.

The Geneva talks, meanwhile, have made little progress. Discussion of a chemical weapons (CW) ban--this summer's main topic--has been stalled on the question of verification. The Soviet delegation continues to show signs of flexibility, however, saying that it would be willing to negotiate partial CW prohibitions and to extend the current session into September for that purpose.

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NEPAL: The government is cracking down on the opposition.

On Sunday four outspoken legislators were arrested in Kathmandu following their participation in a proscribed protest rally. Foremost among the detainees is Surya Thapa, prime minister from 1967 to 1969, who is spearheading a drive for sweeping changes in the tightly controlled political system. Thapa wants democratic reforms that would include open sessions of the legislature, a broadened electoral base, legalized political parties, and a prime minister who is responsible to the legislature rather than to the King.

In recent months antigovernment sentiment has grown and the opposition has openly attacked the government for its handling of localized food shortages, the retention of political prisoners, press restrictions, and general inefficiency. Student groups have supported the movement, adding complaints against the academic system.

Additional arrests probably will follow and will give a better idea of the scope of the crack-down on the politicians who have taken advantage of King Birendra's reluctance to exert firm political control since assuming the throne six months ago. Birendra has generally focused on economic issues, but provocations from Thapa and others appear to be forcing him to assert his authority, even though the young King may eventually grant some of the desired political reforms.

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CHILE: President Allende plans to travel to the USSR with stops in Mexico and Cuba in October, according to an official announcement. This will be Allende's third official trip abroad, and the first outside Latin America. Allende previously was reported to be interested in a vacation stop-over in Europe if an invitation could be arranged, but he may not wish to remain out of Chile for long unless economic and political problems subside.

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URUGUAY: A government proposal to combat the deepening foreign exchange crisis by paying off substantial accumulated commercial arrears in bonds is meeting opposition from the International Monetary Fund (IMF). Because foreign exporters probably would sell these negotiable, interest-bearing bonds to financial institutions at a discount, future sales would be under increasingly stringent terms. Montevideo must reduce commercial arrears to \$37 million by 30 September in order to keep its standby credit from the IMF, and such arrears already are above the \$63-million level that existed when the credit was negotiated. Alternative solutions such as private foreign bank loans using gold as collateral or the sale of gold remain unacceptable politically to Uruguay.

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